and the difficulties which were encountered in the course of the negotiations. An account of the subsequent developments which culminated in the Delhi Conference of 11th November 1935 was given by me in a speech that I delivered in this House on the 9th December 1935. In that speech I had given the main outlines of the final settlement of the question. I have now the pleasure to inform you that all the stages of discussion have passed and the Government of India have consented to declare Cochin a Major Port from the 1st of August 1936. This brings to a successful termination the question that has been pending for a very long time. All the works in connection with the final stages of the harbour development have now been undertaken.

Capital Expenditure on Harbour.

2. In my speech of December 1935 I had given some idea of the financial liabilities involved in the final settlement. In view of the starting of the works we had to decide the ways and means of meeting our financial obligations for the further works. Our commitments may be said to be roughly Rs. 85 lakhs being made up of (a) Rs. 62 lakhs being our share of the capital expenditure for the fourth stage works, (b) Rs. 13 lakhs being our share of the cost of the new dredger required for the harbour and (c) Rs. 10 lakhs being the approximate expenses in connection with the diversion of the railway to the port area. Under the terms of the new agreement the Government of India have kindly undertaken to advance to us approximately Rs. 37 lakhs by way of a long term loan. We have therefore to provide a further sum of Rs. 48 lakhs to enable us to fulfil our obligations. Though this amount is not required at once it was nevertheless thought advisable to make final arrangements for this capital expenditure. We could easily meet this obligation by withdrawals from our cash balance. Our cash balance stands approximately at Rs. 75 lakhs of which about Rs. 10 lakhs represent balances of Municipalities, Devaswoms and other funds. The cash balance of the Government therefore stands at about Rs. 65 lakhs. If we decide to withdraw Rs. 48 lakhs from this balance, the balance will be reduced to about Rs. 17 lakhs and we had to decide whether it would be wise to reduce our cash resources to such a narrow margin. After very careful consideration we came to the conclusion that it would be wise to retain Rs. 45 to Rs. 50 lakhs as the cash balance of Government. Such a balance would ensure perfect safety and place the Government beyond anxiety

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at any time. With a view to achieve this result we decided to float a small loan on the market.

The Loan.

3. The conditions of the money market have been extremely favourable for some time past. On account of the cheap money policy followed by the Reserve Bank of India, rates of interest have been very low and this coupled with the limited openings in commerce and industry has given a firm tone to the gilt edged market. We thought that advantage should be taken of these conditions to float a loan. It was decided to borrow Rs. 30 lakhs so that after all the obligations in connection with the harbour works have been met the cash balance of the Government will not go below Rs. 45 lakhs. The proposal was to meet our commitments amounting to Rs. 85 lakhs as follows:—

(a)	Loan from the Government of India	37 lakhs
(b)	Loan from the public	30 ,,
(c)	Withdrawal from the cash balance	18 ,,
	Total	85 lakhs

This expenditure of 85 lakhs will be spread over a period of about three years. We propose first to spend the money that we have raised in the market and then to borrow from the Government of India from time to time. In issuing this new loan great care had to be taken with regard to the terms of issue. The Harbour Authority would begin to repay the annual instalments only after 10 years. It was therefore thought necessary to have a loan of the maturity of 20—25 years. With regard to the period of maturity and the rate of interest we carried on negotiations with some leading bankers and brokers. As a result of this discussion it was ultimately decided to issue a loan at par of the maturity of 20—25 years at 3½% interest. To ensure the success of the loan an underwriting commission of 1% was given to the underwriters. These terms were the most advantageous that we could get as a result of the discussion that we had with a few bankers and brokers. This was the first occasion when the Cochin Government came on the open market to raise a loan at the rate of 3½%. Though we felt certain that the financial strength of the Cochin Government would warrant an easy success of such a loan we thought it worth while not to take any risks and hence underwriting arrangements were made. For those who are

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